Intermonte

Milan, 17 March 2025

Italian Equity Research – Change in View/FY24 Results

AVIO

NEUTRAL

Sector: Industrials

Price: Eu19.82 - **Target: Eu21.00**

Avio's Future Remains Bright, but Valuation Now More Balanced

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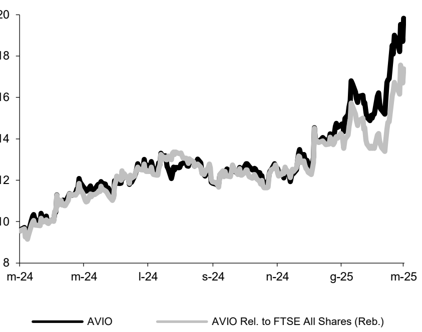
Stock Rating			
Rating:	from OUTPERFORM to NEUTRAL		
Target Price (Eu):	Unchanged		
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-22.2%	-16.4%	

AVIO - 12M Performance



Stock Data			
Reuters code:			AVI.MI
Bloomberg code:			AVIO IM
Performance	**1M**	**3M**	**12M**
Absolute	30.4%	54.8%	107.5%
Relative	28.8%	44.6%	93.6%
12M (H/L)			19.82/9.31
3M Average Volume (th):			138.95

Shareholder Data	
No. of Ord shares (mn):	27
Total no. of shares (mn):	27
Mkt Cap Ord (Eu mn):	538
Total Mkt Cap (Eu mn):	538
Mkt Float - Ord (Eu mn):	223
Mkt Float (in %):	41.5%
Main Shareholder:	
Leonardo	29.6%

Balance Sheet Data	
Book Value (Eu mn):	307
BVPS (Eu):	11.31
P/BV:	1.8
Net Financial Position (Eu mn):	74
Enterprise Value (Eu mn):	457

- **4Q EBITDA in line, NFP and backlog better**. The order book reached a new record of €1,724mn, exceeding both our forecast of €1,550mn and the guidance range of €1,500mn to €1,600mn thanks to the orders signed in December (c.Eu500mn). Net revenues reached €163.7mn, continuing to show a strong acceleration in the tactical propulsion business. Adjusted EBITDA stood at €15.4mn, close to our €15.2mn estimate, bringing 2024 adj. EBITDA to €31.3mn, towards the upper end of the company's guidance range. The net cash position closed at €90mn, well above our €27mn estimate. This is largely attributable to the cash-in of advance payments on the orders signed in December.
- **2025 Guidance slightly below estimates, but focus remains on the longer term**. Looking ahead to 2025, company guidance indicates an expected order book ranging from €1,700mn to €1,800mn, net revenues between €450mn and €480mn, adj. EBITDA between €30mn and €36mn, and net profit in the €7mn to €10mn range, penalised by an increasing tax rate. While guidance was slightly below our expectations (we were expecting €36.2mn of adj. EBITDA and €13mn of net income), we believe focus will remain on potential developments in the defence business, where Avio's production capacity could be rapidly doubled in the event of a surge in demand (we estimate revenues will increase to Eu100mn in 2025 vs. Eu70mn in 2024), but this would be just the first step, as the EU ReArm plan and a new partnership in the US could bring further volumes, meaning at least a 4-fold increase in production is possible in the medium-long term. Construction of a US plant would offer further potential upside in production capacity (construction may require around 3 years, so production could start no sooner than 2028, in the meantime US clients will be served from Italian facilities).
- **Long-term estimates raised on the back of stronger tactical propulsion:** Long-term estimates have been raised due to stronger growth in the tactical propulsion business, with revenues projected to rise from €70mn in 2024 to ~€170mn in 2028 as production scales up. This leads to higher EBITDA forecasts from 2028 onward, while short-term operating estimates see only minor adjustments. At bottom line we are trimming our estimates, as we now forecast the company will pay a more normal level of taxes from 2025 onwards, after years of a tax rate close to 0 thanks to the exploitation of tax deductible items. On a positive note, we are raising our NFP estimates due to the higher starting point and assuming a stable order book in 2025 (in line with guidance).
- **From Outperform to NEUTRAL; TP Eu21.0:** Avio presents multiple future opportunities that are not yet fully reflected in our estimates and could generate additional value for shareholders. The company is well-placed in a strategic sector with strong long-term growth drivers, and potential upside could emerge from new projects, technological advancements, and increased institutional and commercial demand for its propulsion systems. However, following the recent stock rally, we believe the current valuation fairly captures the company's short-medium term prospects. We will keep monitoring further developments, and would be ready to adopt a more positive stance again if new material opportunities materialise and Avio provides greater details on their financial impact.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	339	442	479	554	614
EBITDA Adj (Eu mn)	28	31	34	43	52
Net Profit Adj (Eu mn)	12	10	12	16	22
EPS New Adj (Eu)	0.443	0.373	0.446	0.585	0.821
EPS Old Adj (Eu)	0.443	0.439	0.572	0.700	
DPS (Eu)	0.240	0.148	0.218	0.302	0.444
EV/EBITDA Adj	5.7	6.7	13.3	10.9	8.8
EV/EBIT Adj	12.6	15.2	29.8	22.5	15.8
P/E Adj	44.7	53.2	44.5	33.9	24.1
Div. Yield	1.2%	0.7%	1.1%	1.5%	2.2%
Net Debt/EBITDA Adj	-2.7	-2.9	-2.1	-1.6	-1.4

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and – 10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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As at 31 December 2024 Intermonte's Research Department covered 132 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	30.60 %
OUTPERFORM:	43.28 %
NEUTRAL:	26.12 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 December 2024 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (71 in total) is as follows:

BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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